

## Message Text

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ACTION AID-20

INFO OCT-01 EA-11 ISO-00 CIAE-00 INR-10 NSAE-00 RSC-01

EB-11 EUR-25 L-03 IGA-02 AGR-20 COME-00 OMB-01 TRSE-00

DRC-01 /106 W

----- 044499

P R 270122Z JUN 74

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 6243

INFO AMEMBASSY PHNOM PENH

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMCONSUL DANANG

AMCONSUL NHA TRANG

AMCONSUL BIEN HOA

AMCONSUL CAN THO

AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: EAGR, VS

SUBJECT: RICE SITREP FOR MAY 1974 - CERP 4012

REF: A-SAIGON 8147 B-SAIGON 5267

1. SUMMARY: OVERALL STOCK LEVELS REMAIN HIGH. IMPORTS ARE TWO-THIRDS OF THE TOTAL BECAUSE THEY STORE BETTER. DELTA DELIVERIES REMAINED HIGH THROUGH MAY, BUT DECLINED MORE THAN 40 PERCENT SO FAR IN JUNE. CURRENT NFA PURCHASE CONDITIONS AND PRICES, A SHORT TERM CREDIT SQUEEZE AND LIMITED ADDITIONAL STORAGE SPACE IN THE SAIGON AREA ARE THOUGHT TO BE THE MOST IMPORTANT FACTORS IN THE DECLINE. NEARLY ALL OBSERVERS AGREE THE SUPPLY OF PADDY STILL FOR SALE IN THE DELTA IS SUBSTANTIAL. THE LOW APPARENT CONSUMPTION FIGURE FOR MAY PROBABLY REPRESENTS A TEMPORARY IRREGULARITY OFFSETTING THE GENERALLY HIGH FIGURES OF THE LAST SIX MONTHS. MANY FAMILIES ARE PERHAPS DRAWING

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DOWN ON STOCKS BUILT UP DURING THE PERIOD OF STABLE PRICES.

ONE CONSEQUENCE OF THE LOW VOLUME OF SALES HAS BEEN A SERIOUS SHORT TERM LIQUIDITY PROBLEM FOR CENTRAL VIETNAMESE MERCHANTS. NFA DOMESTIC PURCHASES, GOOD IN MAY, ARE REGISTERING A SHARP DOWNTURN IN JUNE. PADDY AND RICE PRICES WHICH REMAINED STABLE THROUGH MOST OF MAY HAVE BEEN MOVING UP IN JUNE ON WHAT IS BELIEVED TO BE A GENERALLY LOW VOLUME OF SALES. END OF SUMMARY.

2. END MAY SAIGON AND CENTRAL VIETNAM STOCKS (1,000 MT)

SAIGON IMPORTED	91.2
SAIGON DOMESTIC	79.8
SAIGON PRIVATE	4.8
DEFICIT PROVINCES	78.2
TOTAL	254.0

3. APPARENT MAY CONSUMPTION (1,000 MT)

END APRIL STOCKS	223.7
APRIL DELTA DELIVERIES	53.7
APRIL IMPORTS	20.9
TOTAL AVAILABLE	298.3
MINUS END MAY STOCKS	254.0
MAY APPARENT CONSUMPTION	44.3

4. END MAY SOTOCKS INCLUDE 169,400 MT OF IMPORTS AND 84,600 MT OF DOMESTIC RICE. MAY IMPORTS TOTALLED 20,920 MT, U,320 MT FROM PA 45-761 AND 13,600 MT FROM PA 45-762. CUMULATIVE 1974 IMPORTS AS OF MAY 31 WER 219,494 MT. ROUGHLY 71,000 MT MORE IS DUE IN JUNE AND 15,000 IN JULY TO COMPLETE THE FY 1974 RICE ALLOCATIONS.

5. MAY DELTA DELIVERIES TOTALED 53,684 MT. IN MID-MAY WE REPORTED APPARENT RATE OF DELIVERIES WAS ONLY ABOUT 1,000 MT DAILY. HOWEVER, PREVIOUSLY LITTLE-USED CHECKPOINTS WERE RECEIVING MUCH LARGER AMOUNTS THAN NORMAL. WHEN WE MADE OUR MONTHLY VISIT TO THESE AT THE END OF MAY, TOTAL RECORDED DELIVERIES ROSE SUBSTANTIALLY. THE INCREASED USE OF THESE SECONDARY CHECKPOINTS IS DUE TO A DEMAND FOR NEARBY STORAGE SPACE AS PREFERRED STORAGE AREAS CLOSER TO SAIGON ARE NEARLY FULL. A SPECIAL MID-MONTH VISIT TO ALL CHECKPOINTS, HOWEVER, LIMITED OFFICIAL USE

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SHOWS A CLEAR DECLINE IN DELTA DELIVERIES FOR JUNE. 20,845 MT HAVE BEEN RECEIVED AS OF JUNE 21. WE BELIVE THE DECLINE IS NOT RELATED TO ANY REAL LACK OF SUPPLY IN THE DELTA, UBT RATHER TO A NUMBER OF OTHER FACTORS, INCLUDING NFA'S FAILURE TO RAISE BUYING PRICES IN JUNE, CONTINUATION OF THE ONE FOR ONE SALES MENTIONED REF B, A SUBSTANTIAL WITHDRAWAL OF CENTRAL VIETNAM MERCHANTS FROM THE MARKET, AND A GENERAL RELUCTANCE ON FARMERS' PART TO SELL MUCH PADDY AT PRESENT BECAUSE OF EXPECTED

PRICE INCREASES.

6. THE VERY LOW MAY APPARENT CONSUMPTION FIGURE, 44,300 MT, IS PARTLY AN OFFSET TO THE HIGH FIGURES (EXCEPT FOR MARCH) THAT HAVE PREVAILED SINCE LAST NOVEMBER. AS RICE PRICES REMAINED VERY STABLE JANUARY THROUGH MMAY, WE CONJECTURE THAT MANY PEOPLE BUILT UP PERSONAL STOCKS THROUGH APRIL IN EXPECTATION OF CONTINUING INFLATION, BUT HAVE NOW SOTRED AWAY ALL THEY CAN AFFORD OR WANT.

7. IN CENTRAL VIETNAM MERCHANTS, ENCOURAGED BY THE GVN WITH SPECIAL 15 PERCENT INTEREST RATES ON RICE PROCUREMENT LOANS BOUGHT AND SHIPPED LARGE AMOUNT OF RICE TO CENTRAL VIETNAM IN THE FIRST FOUR MONTHS OF 1974. TO GET THIS RICE THEY USED THE ADVANTAGE OF SPECIAL LOW INTEREST RATES TO BID UP THE PRICES AGAINST SAIGON AND DELTA MERCHANTS. HOWEVER, RICE PRICES HAVE NOT RISEN AS MUCH AS EXPECTED THUS FAR AND MANY OF THEM HAVE BEEN UNABLE TO SELL OFF ADEQUATE STOCKS TO REPAY THEIR LOANS AND MAINTAIN LIQUIDITY. IN MID-JUNE REPRESENTATIVES OF THE CENTRAL VIETNMA MERCHANT ASSOCIATIONS REQUESTED NFA TO BUY ONE-THIRD TO ONE-HALF OF THEIR STOCKS FOR DISTRUBITUION TO SOLDIERS, CIVIL SERVANTS AND REFUGEES. THEY ARGUED THIS WOULD PERMIT THEM TO CONTINUE BUYING AND MOVING RICE TO CENTRAL VIETNAM AND THAT THIS IS IN THE GVN'S INTEREST AS WELL AS THEIR OWN. NFA OFFICIALS ARE SYMPATHETIC, BUT NO DECISION HAS YET BEEN MADE AND THE CENTRAL VIETNAM MARKET REMAINS RELATIVELY INACTIVE AT THIS TIME. 11,630 MT OF RICE WAS SHIPPED TO CENTRAL VIETNAM IN MAY, BRINGING THE TOTAL FOR THE YEAR THROUGH THE END OF MAY TO 69,997 MT. HOWEVER, JUNE DELIVERIES THROUGH THE 21ST HAVE BEEN ONLY 2,600 MT.

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8. NFA'S DOMESTIC RICE PURCHASE PROGRAM IN THE DELTA IS ALSO UNDERGOING A CONSIDERABLE SLOWDOWN. MAY PURCHASES TOTALLED 23,914 MT BRINGING THE JANUARY TO MAY TOTAL TO 97,847 MT. BUT ONLY ABOUT 4,000 MT MORE WAS CONTRACTED FOR DURING JUNE 1-21. THERE HAS BEEN WIDESPREAD EXPECTATION OF HIGHER CONTRACT PRICES FOR MORE THAN A MONTH NOW. HOWEVER, CURRENT NFA BUYING PRICES HAVE FALLEN BELOW THE MARKET. UNDER THESE CONDITIONS THE RULE REQUIRING EQUAL SALES TO NFA AND THE FREE MARKET IS HAVING A NEGATIVE EFFECT ON DELIVERIES AND GVN PURCHASES.

9. ALTHOUGH NOT YET PUBLICLY ANNOUNCED, THE MINISTRY OF AGRICULTURE HAS COME UP WITH A 1973-1974 PADDY PRODUCTION FIGURE OF 7.025 MILLION METRIC TONS, UP 10.7 PERCENT FROM THE MINISTRY OF AGRICULTURE OFFICIAL 1972-1973 FIGURE OF 6.348. WE ESTIMATED THE 1972-1973 CROP AT 5.9 AND ARE USING 6.6 FOR THE 1973-1974 CROP, AN INCREASE OF 11.7 PERCENT. GVN TECHNICIANS AT THE DIRECTORATE OF AGRICULTURAL ECONOMICS, MINAG, ARE IN BASIC AGREEMENT WITH US.  
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BUT NO CURRENT ESTIMATE IS VERY RELIABLE FOR LACK OF AN OBJECTIVE RANDOM SAMPLING SYSTEM OF DATA COLLECTION.

#### 10. PRICES

##### A. DELTA PADDY AT THE MILL (WEIGHTED AVERAGE PER 100 KILOS)

	JAN 1	FEB 1	MAR 8	APR 1	MAY 1	JUN 1
HIGH QUALITY	10,016	10,325	10,725	10,463	10,819	11,723
MEDIUM QUALITY	9,198	9,236	9,823	9,723	9,982	11,240

##### B. SAIGON WHOLESALE RICE PRICES (100 KILOS)

	APR 22	MAY 10	MAY 25	JUNE 3	JUNE 17
NANG HUONG	19,800	19,500	19,800	20,200	21,000
SOC NAU	16,200				
	16,400	16,600	17,300	17,600	
NO.1, 25 PERCENT	15,700	15,800	16,000	16,600	16,900
MIRACLE RICE	15,800	16,000	16,100	16,700	16,800

##### C. SAIGON RETAIL RICE PRICES (100 KILOS)

	APR 15	APR 22	MAY 20	JUNE 3	JUNE 17
NANG HUONG	21,200	21,500	22,000	22,800	23,500
SOC NAU	17,200	17,500	18,000	18,500	18,800
NO.1, 25 PERCENT	16,700	16,900	17,200	17,500	17,900
U.S. MEDIUM	16,500	16,800	17,000	17,500	17,800
U.S. LONG	17,800	18,000	18,000	18,400	18,800

11. ALTHOUGH PADDY PRICES ARE UP CURRENT REPORTS INDICATE A RELATIVELY LOW VOLUME OF SALES AS FARMERS WAIT OUT THE RESOLUTION OF THE FERTILIZER ISSUE AND CONTINUE TO HOLD THEIR PADDY AS A HEDGE AGAINST INFLATION AND IN ANTICIPATION OF STILL HIGHER PRICES LATER. RICE PRICES STARTED MOVING UP IN LATE MAY AND CONTINUE MODERATELY UPWARD IN JUNE. DECON AFTER DECEMBER 31, 1975.  
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## Message Attributes

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